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CANADIAN JAVELIN LIMITED



1974

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CANADIAN JAVELIN LIMITED



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Report of the Directors to Shareholders

Canadian Javelin's principal source of revenue continues to be royalties and other payments from its iron interests. In 1974, consolidated total revenue was \$7,619,330 for a consolidated net income of \$1,912,253, or 28 cents per share. This compares with consolidated total revenue of \$6,028,136 in the previous year and consolidated net income of \$273,032 or four cents a share after setting up a \$700,000 reserve relating to negotiations with the government of the Province of Newfoundland and Labrador regarding settlement on the Linerboard project.

The principal factors affecting revenues included labor interruptions in eastern Canadian shipping ports which reduced shipments by Wabush Mines Ltd. This was offset largely by further increases in prices for iron pellets which resulted in increases in the gross royalty rate to Canadian Javelin.

Through 1974 and into early this year, the base royalty payment from Wabush Mines Ltd. has increased from 79.255 cents per ton to \$1.1301 per ton. If Wabush Mines maintains 1975 shipments at the 5.4 million tons of pellets of 1974, or achieves the planned 6.1 million tons for that year, royalty revenue to Canadian Javelin this year should increase, assuming continuing favorable markets.

A record of the Company's consolidated total and net income over the past five years is shown in an accompanying table entitled Summary of Operations which should be read in conjunction with the financial statements. The major source of the Company's income has been royalties from the Wabush project. Revenues from iron ore royalties vary mainly as a result of variations in the rate of shipments which depends mainly on activity in the steel industry. Interruptions in shipments have occurred chiefly as a result of labor disputes.

Other information of concern to shareholders is contained in a tabulation entitled Stockholders Information.

Revenues of the Company's 62%-owned subsidiary, Bison Petroleum &

Minerals Ltd., have been turned back into extending that company's interests in the oil and gas industry in Canada. As at the end of 1974, Bison had varying interests in 65 producing oil wells in the Province Proven reserves are. of Saskatchewan. estimated at a net 1,081,659 barrels as of the end of 1974. A further 953,150 barrels of probable reserves underlie property not yet brought into production. Bison Petroleum also holds the East Brock gas field which is not in production. The company is negotiating for possible sale of East Brock natural gas to the provincially-owned power utility.

The silver-gold mine in El Salvador operated by wholly-owned subsidiary Minas San Cristobal, S.A. has been in production since February 1970. Value of production expanded considerably in 1974, reflecting mainly higher prices as well as an increase in bullion output. After sales expenses, production had a value of \$1,212,149 in 1974 and consisted of 174,102 ounces silver and 2,641 ounces gold. In 1973, value of production after sales expense was \$531,217 from 122,472 ounces silver and 2,368 ounces gold. In 1974, a total of 32,766 tons were milled, an increase from 28,529 tons in 1973.

The Company's policy at Minas San Cristobal is to use current revenues to finance further expansion. As earlier announced, an adjacent property has been brought into production with treatment carried out in the Minas San Cristobal mine and refinery.

The Company has other extensive interests in iron properties in Canada, in the provinces of Newfoundland-Labrador and Quebec. Dominion Jubilee Corp., in which Javelin holds a 33.3% share interest, recently obtained a preliminary technical economic study from independent consultants which concludes that a favorable economic result could be realized on iron ore production from Jubilee's O'Keefe-Star Lakes iron ore deposits.

A study by the engineering and consulting firm, Sidam Inc., of Montreal indicates

the deposits are amenable to open pit mining. Ore reserves are estimated at 267 million long tons grading 32.9% iron. These could be mined economically at a rate of 15 million long tons of crude iron ore annually, and beneficiated to produce 6 million long tons of iron super-concentrates grading 68.5% iron and 1.5% silicon. The capital investment is estimated at \$229.6 million.

A diamond drilling program is planned for this summer season in an effort to further extend and enlarge the ore reserves. The 2,100 acres of the Star Lake and O'Keefe Lake properties are in the midst of a well established iron mine area served by all necessary facilities including rail transport to an iron ore shipping port and townsites within 25 miles.

The latest study by Sidam was commissioned by Dominion Jubilee to explore the possibility of the Star Lake and O'Keefe Lake iron deposits being developed independent of Julian Lake iron deposits in neighboring Newfoundland-Labrador. The Julian Lake property continues to be confronted by delays in obtaining Newfoundland government approvals of surface rights. (See note 7B of financial statements).

Newfoundland and Labrador Corp., the Company's 99%-owned subsidiary, has met its financial commitments to the province under the NALCO Act of 1951 well ahead of requirements. Expenditures on the concessions by NALCO and partners total \$4,452,041 at the end of 1974. The agreement provided for \$4 million of exploration expenditures by the end of 1985.

In Panama, a special committee of the Company has been holding discussions with representatives of the Republic of Panama covering compensation and indemnification to be paid to the Company for discovery and development work on the Cerro Colorado Copper Project. Your Board has been informed that the negotiations are progressing satisfactorily.

Representatives of the Government of Panama have assured the representatives of the Company's wholly-owned Panamanian subsidiary, Pavonia S.A., that the company shortly will receive the first significant payment as an advance on proven expenses.

The Company's staff have been providing necessary data to the Government of Panama, and Company personnel on the property continue to work at the request and on behalf of the Government.

In view of the developments in Panama which had required intense concentration of management effort and financial resources in recent years, your Board of Directors now feels that a reassessment of priorities and reorganization of the corporate structure and activities should be studied in detail. The Directors have authorized such studies by the Executive Committee.

We welcome to the Board of Directors, Mr. Harold W. M. Smith, an independent and successful fruit grower and processor. An audit committee composed of two outside directors and the Executive Vice-President and Secretary of the Company has been appointed. Mr. John C. Doyle, for so many years the principal driving force in Canadian Javelin, has resigned as a member of the Executive Committee. Mr. Dovle is remaining as a director and will continue sentatives of the Government of Panama. He continues as consultant to the offshore interests of the Company. Mr. J. C. Mallin has been appointed Executive Vice-President and Secretary.

On behalf of the Board of Directors,

Mustilen President.

June 10, 1975.

Consolidated Balance Sheet DECEMBER 31, 1974

ASSETS

Current:	1974	1973
Cash	\$ 320,785	\$ 848,164
Bank deposit receipts and securities	6,736 3,466,364	290,322 2,139,625
Accounts receivable, royalties and other	8,403	5,738
Loans and advances, employees Inventories, at the lower of cost or market	239,796	135,900
Deposits and prepaid expenses	162,067	357,267
Current portion of investment in Panama Copper Project (Note 9)	5,000,000	
	9,204,151	3,777,016
Non-Current:		
Receivable under Javelin-Wabush Iron Contract (Note 4)	23,395,744	24,089,946
Less Contra (Note 1c)	23,395,744	24,089,946
Advances, associated companies	572,292	462,715
Balance due — after a reserve of \$700,000 — re sale of linerboard project (Note 8)	3,172,134	3,172,134
Investment in Panama Copper Project (Note 9)	23,220,445	
	26,964,871	3,634,849
Less amount shown as currently due (Note 9)	5,000,000	
	21,964,871	3,634,849
Investments, at cost:		
Associated companies (Note 2)	2,183,923	2,281,001
Non-consolidated subsidiaries, including advances (Note 3)	170,855 92,199	1,398,043 66,703
Other	2,446,977	3,745,747
Fixed, at cost:	2,440,777	3,713,717
	2,053,149	6,408,114
Property, plant and equipment Less accumulated depreciation and depletion	1,360,378	1,283,493
	692,771	5,124,621
Mineral and oil rights, leases, permits and concessions including develop-	E 000 052	10 114 001
ment costs	7,090,073	19,114,001
	7,782,844	24,238,622
Other:		
Road construction, prepayment (Note 10)	923,149 230,583	2,793,605 214,658
Deferred and other charges Unamortized accumulated expenses	13,715,072	14,084,404
Excess of cost over book value of investment in subsidiaries	4,759,713	4,924,598
	19,628,517	22,017,265
	\$61,027,360	\$57,413,499

May 26, 1975

LIABILITIES

Current:	1974	1973
Bank and other loans and overdraft	\$ 335,178	\$ 1,036,850
Accounts payable and accrued liabilities	3,267,611	2,510,572
Due to directors and employees	18,800	24,300
Foreign corporation taxes payable	160,800	160,800
Current portion of long term liabilities	1,559,259	1,749,402
	5,341,648	5,481,924
Long-term:		
Bank and other loans (Note 5)	8,246,430	6,529,632
Mortgage and other	52,138	178,674
Due to director and shareholder	531,806	520,334
7½ % Debentures payable (Note 6)	3,000	7,500,000
	8,833,374	14,728,640
Less current portion (above)	1,559,259	1,749,402
	7,274,115	12,979,238
Deferred:		
Advance royalties	14,000	13,000
Unrealized gain on conversion of foreign currency	53,568	(4,819)
	67,568	8,181
Minority interest	1,101,912	1,111,293
Minority Interest	1,101,712	1,111,275
Shareholders' equity:		
Capital stock — (Note 6) Authorized — 12,000,000 common shares of no par value. Maximum consideration not to exceed \$99,801,418. — 6,000,000 redeemable, non-participating non-dividend		
bearing, voting preferred shares of a par value of 10ϕ each.		
Issued and fully paid —		
7,169,407 common shares (6,468,175 — 1973)	42,589,788	35,092,787
Capital surplus arising from redemption of preferred shares	588,860	588,860
Retained earnings (Statement 2)	4,063,469	2,151,216
	47,242,117	37,832,863
	\$61,027,360	\$57,413,499

Approved on behalf of the Board:

RAYMOND BALESTRERI, Director.

SARTO FOURNIER, Director.

Consolidated Statement of Retained Earnings

FOR THE YEAR ENDED DECEMBER 31, 1974

Balance, beginning of year Add net income for the year (Statement 3) Balance, end of year	1974 \$2,151,216 1,912,253 \$4,063,469	1973 \$1,878,184 273,032 \$2,151,216
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Statement 3

Consolidated Statement of Income

FOR THE YEAR ENDED DECEMBER 31, 1974

Income:	1974	1973
Royalties earned	\$5,343,240	\$4,352,557
	1,494,701	837,454
Sales Interest and other	87,187	272,677
Annual receipt under Javelin-Wabush Iron Contract	694,202	565,448
Annual receipt under Javenn-Waddsh from Combast	7,619,330	6,028,136
Costs and expenses:		
Royalty expense	2,137,109	1,814,463
Royalty expense Recovery of royalty expense	(375,991)	(377,956
Cost of sales	747,619	558,315 43,721
Engineering and technical services	2,269,433	1.996.183
Administrative and general	263,554	363,292
Marketing	5,041,724	4,398,018
		1,630,118
	2,577,606	1,030,110
Other expenses:	42,916	24,720
Depreciation and depletion	748,436	664.026
Amortization Cost of mining claims — abandoned and written down	740,430	12,01
Loss on non-consolidated subsidiaries	61,084	98,225
Other		17,86
Other States of the States of	852,436	816,84
Income before minority interest and extraordinary items	1,725,170	813,269
Income before minority interest and extraordinary items	31,275	29,52
Add minority interests' share of subsidiaries' losses	1,756,445	842,78
Income before extraordinary items	1,750,445	012,70
Extraordinary items:		
Expenses of prior period charged to subsidiary	155,808	(000 10
Advances, investments and expenses written-off		(289,10
Gain on issue of subsidiaries' capital stock		419,35
Provision for uncollectable portion of balance due — sale of liner-		(700,00
board project	155,808	(569,75
	\$1,912,253	\$ 273,03
Net income for the year	\$1,912,233	\$ 215,05
Earnings per share:		
Primary earnings per share —		
Income before extraordinary items	\$ 0.27	\$ 0.1
Net income for the year	\$ 0.29	\$ 0.0
	0.27	-
Fully diluted earnings per share—	\$ 0.25	\$ 0.1
Income before extraordinary items		
Net income for the year	\$ 0.27	\$ 0.0

Consolidated Statement of Changes in Financial Position

FOR THE YEAR ENDED DECEMBER 31, 1974

Working capital was provided by: Operations:	1974	1973
Net income (Statement 3)	\$ 1,912,254	\$ 273,032
Add items not requiring an outlay of funds —	Ų 1,712,20 i	4 2,0,002
Depreciation, depletion and amortization	825,321	688,746
Mining claims and oil rights written off	_	12,011
Provision for and write-off of uncollectable portion of balance due — sale of linerboard project	_	1,091,271
Other (net)		194,004
Loss on non-consolidated subsidiary	61,084	
	2,798,659	2,259,064
Deduct non-cash gains — Minority interests' share of subsidiaries' losses	31,275	29,520
Gain on issue of subsidiary's stock	_	419,350
Cam of 1500 of decadaty 5 seek	31,275	448,870
Total from operations	2,767,384	1,810,194
Royalties received in advance	1,000	1,000
Proceeds from long-term loans, notes and mortgages	1,850,264	1,305,000
Proceeds from debenture issue	_	7,500,000
Proceeds from sale of shares	_	17,578
Advances from and investment in associated companies	62,156	234,119
Current portion of investment in Panama project	5,000,000	_
Collection of advances to non-consolidated subsidiary	1,057,620	_
	10,738,424	10,867,891
Working capital was used for: Investment in fixed assets	4,889,651	11,524,388
Long-term debt (including current portion)	_	1,619,948
Advances to non-consolidated subsidiaries	_	142,768
Adjustment on conversion of current items	281,362	4,496
Reclassification of balance due — sale of linerboard project	_	4,263,405
	5,171,013	17,555,005
Increase (decrease) in working capital	5,567,411	(6,687,114)
Working capital (deficit), beginning of year	(1,704,908)	4,982,206
TI VAARAAA TUURAAA	\$ 3,862,503	\$(1,704,908)

Notes to the Consolidated Financial Statements

DECEMBER 31, 1974

NOTE 1: PRINCIPLES OF CONSOLIDATION

- The accompanying financial statements include the active wholly-owned subsidiaries of Canadian Javelin Limited and all but two subsidiaries owned by Bison Petroleum and Minerals Limited, the accounts of which have been excluded from the consolidation because one corporation is engaged in real estate and the other corporation was previously engaged in brewing operations and not connected with the natural resource industry. For this reason the assets and liabilities of these subsidiaries have not been consolidated. Bison's share of the losses since acquisition of these companies has been reflected in its consolidated financial statements amounting to approximately \$17,000 for Gordon Holdings Limited and to approximately \$796,000 for Bison Brewing Company Limited. Current period losses have amounted to \$2,000 and \$59,000 respectively. These losses have also been reflected in the accompanying financial statements to the extent of the Company's holdings in Bison Petroleum and Minerals Limited. Throughout these statements losses are shown in brackets.
- (b) Foreign currencies in these statements are expressed in Canadian dollars at exchange rates in effect at December 31, 1974 and the unrealized net gain on conversion has been deferred.
- (c) In 1974, the receivable under the Javelin-Wabush Iron Contract (\$23,395,744) has been netted with the deferred contra account of similar amount. The 1973 comparative figures have been similarly altered for disclosure of this item and other items where alternate disclosure was required.

NOTE 2: INVESTMENT IN ASSOCIATED COMPANIES

- (a) Company Investment

 Dominion Jubilee Corporation
 Limited \$1,985,148
 Norlex Mines Limited 198,774
 Limited partnerships, Chile \$2,183,925
- (b)(i) Dominion Jubilee Corporation Limited is in the exploratory and development stage of its operations and its principal underlying assets

- consist of accumulated exploration and development expenses and the cost of mining rights and leases. Charges for engineering, administration and other services and facilities made by the Company to Dominion Jubilee amounted to \$11,953 for the period. In addition to the foregoing, direct charges paid or monies advanced amounted to \$54,115.
- (ii) Of the 5,382,536 shares of Dominion Jubilee Corporation Limited issued and outstanding at December 31, 1974, 1,795,585 shares (33.35%) were held by Canadian Javelin Limited. Dominion Jubilee, therefore, is not a subsidiary of Canadian Javelin for accounting purposes, but management considers that effective control of Dominion Jubilee's operations is exercised by the Company. The activities of Dominion Jubilee during the fiscal year ended December 31, 1974 have had no material effect on the Company's financial statements.
- (iii) Of the 1,795,585 Dominion Jubilee shares owned by Canadian Javelin Limited, 899,993 shares are held in escrow.
- (iv) Dominion Jubilee's shares are traded in the "over-the-counter" securities market.
- (c) (i) Of the 6,073,163 shares of Norlex Mines Limited issued and outstanding at Dec. 31, 1974, 1,097,400 shares (18%) were held by Canadian Javelin Limited and its subsidiary companies. 435,000 of the foregoing shares are held in escrow subject to release by the Ontario Securities Commission.
 - (ii) During the period, the Company tendered by way of gift, 330,000 of its escrowed shares of Norlex for the benefit of that Company as a result of a requirement of the Ontario Securities Commission.
 - (iii) The Company provided 140,000 shares valued at \$72,800 of its holding in Norlex under an option agreement entered into by Norlex relative to a Mexican Mineral Property. Norlex accepted the charge by the Company of \$72,800 and subsequently relinquished its rights under the option.
 - (iv) 59,500 shares of Norlex were sold by the Company during the period at an average price of approximately \$0.27 per share.

NOTE 3: INVESTMENT AND ADVANCES IN NON-CONSOLIDATED SUBSIDIARIES

ordon Holdings Limited Bison Brewing Company Limited

Investment and Advances	Allowances for Losses	Net Investment and Advance
\$ 48,635	\$ 16.959	\$ 31,676
935,277 \$ 983,912	796,098 \$ 813,057	139,179 \$ 170,855

- (i) Gordon Holdings Limited is a 55% held subsidiary of Bison Petroleum and Minerals Limited, a 62% owned subsidiary of the Company. Gordon Holdings Limited is engaged in commercial real estate operations.
- (ii) Bison Brewing Company Limited has ceased commercial operation and during the year sold its major assets. The proceeds from sale of the assets in the amount of \$1,124,630 was paid to the parent company thereby reducing the advances. It is anticipated that the remainder of the advances will be repaid from the proceeds of an insurance claim.

NOTE 4: RECEIVABLE UNDER JAVELIN-WABUSH IRON CONTRACT

This balance results from the sale of 10% of the capital stock of Wabush Lake Railway and 10% of the capital stock of Wabush Iron Company in prior years and is being received as iron ore is shipped from the Wabush leased premises at the rate of \$0.13675 per ton at December 31, 1974 (\$0.10 per ton in prior years) but not less than \$275,000 per year. If the Wabush Deposit lease is cancelled by Wabush Iron, as it may do on 60 days' notice, no further payments need be made, but the mining lease must be surrendered to Canadian Javelin Limited. If Wabush Iron defaults in making the payment of any installment when due, and which shall remain unpaid for sixty days, it must promptly surrender to Canadian Javelin Limited not only the mining lease but also the title to and possession of all its buildings, plant and machinery on the leased premises. The Company regards this receivable therefore as a contingent asset dependent on the successful future operation of the Wabush Mine and accordingly has provided against the account an allowance of equal amount so that there is no overall effect on the assets of the Company by the inclusion of the receivable. Based upon the royalty rate of \$0.13675 prevailing at December 31/74, collection of the total contingent receivable will require shipment of a total of approximately 171,000 tons of ore by Wabush Iron Company over the life of the project. Shipments during 1974 totalled approximately 5.4 million tons.

NOTE 5: LONG-TERM DEBT

Central States Pension Fund Secured by an assignment of royalties from Wabush Mines and repayable at the rate o \$264,815 U.S. quarterly with interest rate and maturity dates as follows:

	\$4,116,248
Francofin Corporation (Secured	by chattel
mortgage) 11% and 14.75% due 1976	51,182
Banque Nationale de Paris 1214% due January 31, 1975 13% to 16% due January 30,	500,000
1976	1,550,000
14% due January 30, 1976	1,000,000
Domino Investments Limited	

The term of the foregoing loans payable to Banque Nationale de Paris and Domino Investments Limited was extended to January 30, 1976 and interest rates have been reduced subsequent to the date of the financial statements.

NOTE 6: CAPITAL STOCK

(a) 505,422 common shares of the unissued capital stock of the Company are reserved under two stock option plans for employees, officers and directors. 325,478 shares are reserved under the 1964 plan exercisable by May 9, 1976 at prices ranging from \$9.25 to \$12.00 U.S. per share. Under the 1970 plan 179,944 shares are reserved and exercisable by May 9, 1978 at prices of \$7.00 Can. and \$8.25 U.S. per share.

(b) 750,000 shares of the unissued capital stock of the Company had previously been reserved for conversion of the Company's 1973 debenture issue. During the period 749,700 of these shares have been issued at \$10 per share on the conversion of such debentures leaving a reserve of 300 shares.

NOTE 7: CONTINGENT LIABILITIES AND COMMITMENTS

- (a) The Company may be contingently liable in the estimated amount of \$591,523, as a result of a third party demand made on the Company by the Receiver General of Canada relative to an alleged liability of a director of the Company to the Department of National Revenue.
- (b) The Company holds a lease in the Julienne Lake area in Labrador Newfoundland, pursuant to the terms of which the Company is obligated to proceed with due diligence with mining operations after June 11, 1974. To date the Company has been prevented from engaging in any activity prerequisite to commencing mining operations as a result of the refusal of the Government of Newfoundland to grant certain surface and other rights to which it is specifically entitled under the terms of the lease. The Company has made submissions requested by the Government relating to the applications for the aforementioned surface and other rights and is awaiting decision by the Government as to these questions. If the Company fails to secure the rights necessary to continue and should decide to abandon the project it would be required to write off unamortized preproduction expenses of approximately \$3,400,000.

NOTE 8: LINERBOARD PROJECT

The Company is claiming the sum of \$3,872,134 in addition to the \$6,600,000 Stephenville, Newfoundland and associated wood harvesting operation in Goose Bay, Labrador together with the assumption by the Government of liabilities in connection with the project. The foregoing amount of \$3,872,134 represents expenditures and advances made by the Company which management feels were reasonably necessary for the establishment of the project, however, the Government has rejected management's con-

unition of reasonable necessity and has denied modify for payment of this amount. The Company contents that, under the terms of the agreement, the full amount of \$3.872.134 is afformable under the Newfoundland fudicature Act. To date the Company has filed not se of arbitration and has appointed its arbitrator, nowever, hearings have not as yet commenced.

The Government notified the Company that it considers the notice of arbitration to be defective in that it allegedly lawks specificity and encompasses certain saims which are not arbitrarile and which must be latigated.

In 1973 the Covernment notified the Company that it was disputing as obligation to 5.0 the Company the foregoing amount. As a result the amount in controvers, has been treated as a non-current used. No provision has been made for any interest which might be awarded on the impact amount.

Although the Company is nopeful of receiving the entire claim there is no assurance it will do so and accordingly has provided an allow ance for possible unallestability of the account in the estimated amount of \$700,000.

NOTE 9: INVESTMENT IN PANAMA COPPER PROJECT

In 1974 the Company together with a consortium of financiers and developers attempted to negotiate the terms of an acceptable formeterm exploitation attreement with a Special Committee, appainted by the Government of Financia concerning the Certo Cologistic formet and financial concerning the Certo Cologistic formet and reposits. The parties failed to reach a company and negotiations were terminated. Subequently the Covernment of Parkina indicated that the Republic would develop the concession and that Canadian Ixelia Limited and Pavonia, S.A. would be imprensated through return of their established costs plus un indemnity.

For purposes of financial statement disclosure the Company has grouped the various components of the investment in the Panama Project including exploration and development expenses, road construction machinery and eminiment. Idinfustration and other amounts under the caption "Investment in Panama Coppe Project" which totalled \$23,220,448 at December 31, 1974 exclusive of any mark up on their company charges for interest and enimitement and affect services.

No provision has been made for any indemnity that may arise through the assumption of the project by the Government of Panama. Receipt from the Government of any amount less than \$23,220,445 would result in a loss to the extent of such deficiency while receipt of any amount in excess of this would result in a gain to the extent of the excess.

The Company's Negotiating Committee has been informed by the Panamanian Special Commission of the Cerro Colorado Project that, while the terms of a final agreement are being worked out, an initial payment of \$5,000,000 will be made not later than the end of July 1975. Accordingly the Company has treated this amount as currently due.

N. 11 10: ROAD CONSTRUCTION PREPAYMENT

In 1973 the Company placed the proceeds - from the issue of its Series "B" debentures in Oceanic Construction Corporation as a payof the balance of the contract price under a road contract entered into by the Company's wholly-owned subsidiary Pavonia, S.A. and International Oceanic for design and construc-tion of a road from San Felix, Province of Chiriqui to Pavonia's proposed project site at Cerro Colorado. The contract was terminated in May 1974 at which time there remained a credit to Pavonia, in the amount of \$1,821,450. Subsequently charges for extras were accepted and approved by the Company of advances to a sub-contractor Almora S.A. of \$717,999 and a prior mobilization payment of \$200,000. In addition International Oceanic provided Pavonia with construction equipment Pavonia at December 31, 1974 to \$923,149.

NEAR 11: LITIGATION

The following matters which are in suit or in dispute concern the Company and/or its subsidiaries, associates, directors and officers:

Sloan v. Canadian Javelin Limited, et al, an action in the United States District Court for the Southern District of New York, against the Company, John C. Doyle, William Wismer and forty-five other defendants for alleged violations of the U.S. Securities Law. The complaints against all defendants have been dismissed. The plaintiff is currently seeking to appeal the dismissal.

Bonime v. Canadian Javelin Limited, et al, an action commenced in the United States District Court for the Southern District of New York in December, 1973 purporting to be a class action on behalf of all purchasers of the Company's stock during an unspecified period. The complaint alleges that the Company violated the Securities Exchange Act of 1934, the Securities Act of 1933 and common law, and seeks to recover unspecified amounts of money damages, costs and expenses. The Company has denied the allegations and alleged certain affirmative defenses. Discovery is advanced in this action.

Lurie, et al v. Canadian Javelin Limited, et al, an action filed December 5, 1973 in the United States District Court for the Northern District of Illinois, purporting to be a class action on behalf of all purchasers of common stock of the Company on or after November 1, 1969. The complaint alleges common law fraud and violations of the Securities Example Act of 1934 and the Illinois Securities Law. The action seeks damages in an unspecified amount or, in the alternative rescission of share purchases, together with preliminary and permanent injunctive relief. The action is in the preliminary stage.

Lurie, et al v. Canadian Javelin Limited, et al, an action filed December 7, 1973 in the Circuit Court of Cook County, Illinois purporting to be a class action on behalf of all purchasers of common stock of the Company on or after June 1, 1973. The complaint alleges violations of the Securities Act of 1933 and Illinois common law and seeks damages in an unspecified amount.

Goldstone v. Canadian Javelin Limited, an action in New York State Court to recover either 80,000 shares of common stock of Dominion Jubilee Corporation Limited, an associated company, or its value, as compensation for legal services. The action is pending since 1969 and the Company disputes that there is any merit to the claims made.

Clarke v. Canadian Javelin Limited, et al, an action in the Federal Court of Canada against the Company and certain of its officers and others for breach of copyright. This action was settled during 1975 and the Company paid \$2,500 as its portion of the settlement.

Government of Newfoundland v. Canadian Javelin Limited and Canada Permanent Trust, an action instituted on August 16, 1973 in the Supreme Court of Newfoundland, alleging that the defendants have wrongfully

Notes to the Consolidated Financial Statements commed

refused to transfer certain shares which the complainant held and sought to sell. The action sought declaratory and injunctive relief to compel the transfer of the shares, together with damages and costs. The court ordered the Company to permit transfer of the shares in question and the issue of damages remains to be litigated.

- Limerick v. Javelin Paper Corporation Limited, an action in the Superior Court of Montreal for damages for breach of employment contract in the amount of \$190,000, which action is in the preliminary stages of development.
- Estate of Lyttleton P. Gould v. Newfoundland and Labrador Corporation, an action instituted in 1955 in the Supreme Court of New York seeking compensation for services allegedly rendered, was dismissed by judgment entered. June 10, 1974. A motion for leave to appeal has been served, but the Appeal has not been processed and the Company has moved to dismiss the Appeal.
- Robert A. Simonian v. John C. Crosbie, et al, an action instituted in October 1974 in the United States District Court of Massachusetts names the Company as the technical defendant. The suit is against the Government of Newfoundland for the recovery of amounts

due the Company in connection with the sale of the Linerboard Project and in addition for damages from the Government for depriving the Company of interests in the Province of Newfoundland.

12: INCOME TAXES

The Company's records have been reviewed by federal taxation authorities up to and including 1963. Final determination of all matters arising therefrom has not yet been made. The amount of any deferred income taxes has not yet been determined because of several unresolved matters but in any event, there is no anticipated liability for income tax in respect of the current period.

13: DEPRECIATION AND AMORTIZATION

Depreciation and amortization charged against income during the period amounted to

14: DIRECTORS' AND OFFICERS' FEES AND SALARIES

The aggregate direct remuneration paid by the Company and subsidiaries to officers and directors, consisting of 44 persons, amounted to \$336,366.

Auditors' Report

To: The Shareholders

We have examined the consolidated balance sheet of Canadian Javelin Limited and its subsidiary companies as at December 31, 1974 and December 31, 1973 and the consolidated statements of retained earnings, income and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary.

In our opinion subject to the collection of the net balance, after reserve, from the Government of Newfoundland in the amount of \$3,172,134 referred to in Note 8, the collection of the deposit with International Oceanic Construction Corporation in the amount of \$923,149 referred to in Note 10 and subject also to the realization of the Company's investment in the Panama Copper Project in the amount of \$23,220,445 referred to in Note 9, the accompanying consolidated financial statements present fairly the consolidated financial position of Canadian Javelin Limited and its consolidated subsidiaries as at December 31, 1974 and December 31, 1973 and the results of their operations and the changes in financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

This report should be read in conjunction with the audit report on the Company's consolidated financial position for the year ended December 31, 1973.

St. John's, Newfoundland, May 26, 1975.

LEE & MARTIN, Chartered Accountants.

Accounting Policies

(a) Wabush mining production, upon which the Company's royalty revenue is based, reached production in reasonable commercial levels in 1966. Prior to that time, the cost of exploration and development including administration, promotional, public and shareholder relation expenses had been deferred.

In 1966, the Company adopted a profit and loss basis of accounting by which earned royalties are shown as income, current expenses are written off in the year incurred. and accumulated unrecovered expenses applicable to the Wabush project are being amortized by an equal charge against income over a 25-year period.

Preproduction development and organization expenses associated with the Company's mine in El Salvador, operated by a subsidiary, Minas San Cristobal, are being amortized over an eight-year period beginning March 1, 1970.

Bison Petroleum & Minerals Limited, a 62%-owned subsidiary through which oil royalty and revenue is carned, has followed a policy of writing off unrecovered and development expenses on the basis of estimated reserves.

(b) The costs of mining claims, rights and options, including development costs are being deferred until such time as the properties involved are placed in production, sold or abandoned. If placed in production, the costs will be amortized by charges to income

on a unit-of-production method on the basis of estimated ore reserves at the date production commences. If sold, the cost will be applied in determining gain or loss on the sale. The cost of properties abandoned will be charged off to income.

(c) The Company is obligated under the "Knoll Lake Mining Lease" to pay a royalty of \$0.32 per ton on shipments from the Wabush Mine. These royalties are payable to Knoll Lake Minerals Limited, the shares of which are 39.4% held by the Company.

The Company and the Joint Venturers and Participants in the Wabush Mines Project have agreed that they will require Knoll Lake to declare and pay yearly dividends equal to royalties received (\$0.32 per ton) less appropriate deductions for expenses and income taxes. Accordingly, the Company will recover 39.4% of the royalty paid, provision for which is made annually on the accrual basis.

(d) Primary earnings per share are calculated using a weighted monthly average number of shares outstanding giving retroactive effect to stock dividends paid.

Fully diluted earnings per share figures are calculated assuming that all contingent stock options are issued.

(e) Interest paid has been charged basically to the Panama Copper Project and has been capitalized as part of the total investment, therefore not affecting income or expense.

Five-year Summary of Operations

Income:	1974	1973	1972	1971	1970
Royalties earned	\$5,343,240	\$4,352,557	\$4,090,927		\$4,212,242
Sales	1,494,701	837,454	705,991	653,126	913,949
Interest and Other	87,187	272,677	403,633	685,399	285,365
Annual Receipt under Javelin Wabush Iron Contract	694,202	565,448	531,251	560,188	547,812
Gross Income	7,619,330	6,028,136	5,731,802	6,217,156	5,959,368
0,000					
Costs and Expenses					
Royalty Expense	2,137,109	1,814,463	1,717,670	1,793,961	1,752,987
Recovery of royalty expense	(375,991)	(377,956)	(423,000)	(426,284)	(277,085)
Cost of sales	747,619	558,315	501,516	639,599	536,391
Engineering and technical services		43,721	63,308	110,331	87,913
Administrative and general	2,269,433	1,996,183	1,631,983	731,968	536,029
Marketing and public relations	263,554	363,292	376,180	344,597	263,363
mancing and passes	5,041,724	4,398,018	3,867,657	3,194,172	2,800,598
Operating profit for the period	2,577,606	1,630,118	1,864,145	3,022,984	3,059,770
operating (
Other Expenses:					
Depreciation, depletion	42,916	24,720	47,580	528,874	655,648
Amortization	748,436	664,026	637,173	501,104	507,472
Cost of mining claims abandoned and written down		12,011	490,101	151,377	
Loss on non-consolidated subsidiaries	61,084	98,225	669,939		
Other		17,867	41,632	11,729	106,621
Ollor	852,436	816,849	1,886,425	1,193,084	1,269,741
Income (loss) before minority interest and extraordinary items	1,725,170	813,269	(22,280)	1,829,900	1,790,029
Add minority interests' share of subsidiaries	31,275	29,520	459,978	51,815	47,402
Income later estrate part the	1 30,445	5 (2,750)	437,698	1,881,715	1.837.431
Extraordinary Items:					
Expenses of prior period charged to subsidiary	155,808		_	_	
Advances, investments, and expenses written-off		(289,107)	(424,405		
Donations	_			(200,000)	
Gain on issue of subsidiaries capital stock	_	419,350			
Provision for uncollectible portion of balance due — sale of linerboard		(700,000)	_	_
project	155 000			(238,352)	(214,791)
	155,808		\$ 13,293		\$1,622,640
Net income for the period	\$1,912,253	\$ 273,032			\$.27
Net income per share					6,256,730
Shares (weighted average)	6,809,126	6,419,706	0,400,703	0,501,705	0,200,100

Stockholder Information

	1974	1973	1972	1971	1970
Approximate number of developed and the same	12,000	12,000	12,000	12,000	12,000
Approximate construction frameworks (1990) and the construction of	6,000	6,000	6,000	6,000	6,000
Total registered shareholders	18,000	18,000	18,000	18,000	18,000
Average number of shares (in thousands)	6,809	6,419	6,466	6,381	6,256
Primary earnings per share before extraordinary items	.26	.13	.07	.29	.29
Extraordinary gains (losses)	.02	(.09)	(.07)	(.03)	(.02)
Net earnings per share	0.28	0.04	0.00	0.26	0.27
Stockholders' equity per share	6.59	5.89	5.79	6.06	5.69

Financial Position (dollars in thousands)

AVOYKing 1 00001	3,862	(1,704)	4,982	(2,426)	3,898
Long term debt	7,274	12,979	5,794		
Shareholders' equity	47,242	37,832	37,41		0,000

Common Stock

Mile Large (Means)

	1974	1973			
	High Low	High Low			
1st quarter .	83/8 81/4	9 9			
2nd quarter	91/2 91/4	71/4 7			
3rd quarter	81/4 77/8	16 155/8			
4th quarter	71/4 71/8	71/2 71/2			

The principal markets for the Company's voting shares are Canada and the United States.

Stock Dividend

1972 3 shares for every 100 held

1971 3 shares for every 100 held

Board of Directors

° Anthony G. Ayre

St. John's, Newfoundland

* Raymond Balestreri

President, Canadian Javelin Limited

Montreal, Quebec

Hon. Thomas A. Dohm, Q.C.

Barrister & Solicitor, Former Judge of the Supreme Court of British Columbia,

Director, Bank of British columbia

John C. Doyle

Consultant, Javelin Export Limited

†*° Hon. Sen. Sarto Fournier, Q.C.

Barrister & Solicitor,

Robert B. Major, K.M.,

Executive,

Director, United Provinces Insurance Co. Ltd.

St. Sauveur-des-Monts, Quebec.

Manuel J. Paredes,

Real Estate Executive,

Director, Companie de LeFevre

Panama, R.P.

John A. Rozzini,

Vice President, Projects Development, Canadian Javelin Limited

Montreal, Quebec.

* Frank C. Shirriff

President, Packaging Equipment Services Ltd.

Willowdale, Ontario

* Harold W. M. Smith

President, Harold Smith Holdings Ltd.

Vineland, Ontario

* William M. Wismer, Q.C.

President, Bison Petroleum & Minerals Limited

Toronto, Ontario

† Chairman Executive Committee

- * Executive Committee
- ° Audit Committee

Executive Officers

Raymond Balestreri

President

°Julius Mallin

Executive Vice President and Secretary

John A. Rozzini

Vice President, Projects Development

Wyatt S. Hegler

Vice President, Engineering

Raymond J. Doyle

Vice President, Overseas Operations

P. J. DeSantis

Treasurer

Solicitors

Canada: Montreal, P.Q.

Robinson, Sheppard, Borenstein, Shapiro & Flam

Toronto, Ontario

Day, Wilson, Campbell

Vancouver, B.C.

Dohm, MacDonald, Russell & Kowarsky

St. John's, Newfoundland

Curtis, Dawe, Fagan, Mahoney & Russell

United States:

Washington, D.C.

Steptoe & Johnson

New York, N.Y.

Diamond & Golomb

Auditors

Lee & Martin,

Chartered Accountants, St. John's, Newfoundland

^o Audit Committee

Subsidiaries

Artena, S.A.

Bison Petroleum & Minerals Limited
Gordon Holdings Limited
Oltenia, S.A.
Minerals Exchange and Sales Limited
Prairie West Exploration Limited
Rottenstone Mining Limited
Bison Petroleum & Minerals (B.C.) Limited

C.J.V. Holdings Limited
Chilian Limited Partnerships
Inter American Minerals Corporation
Javelin Bulkcarriers Limited
Javelin Export Limited
Javelin International, S.A.
Javelin Paper Corporation Limited
Javelin Forest Products Limited
Javelin Realties Limited
Julco Iron Corporation Limited
Minas San Cristobal, S.A.
Newfoundland and Labrador Corporation Limited
Pavonia, S.A.
San Juan Copper Co. Ltd.

Affiliates

Dominion Jubilee Corporation Limited Knoll Lake Minerals Limited Mid Can Exploration Limited Norlex Mines Limited

Transfer Agents & Registrars

Canada: Canada Permanent Trust Company, St. John's, Newfoundland, Halifax, N.S. Montreal, Quebec, Toronto, Ontario, Vancouver, B.C.

United States: The Continental Stock Transfer & Trust Company, Jersey City, New Jersey.

Stock Exchanges

Listed on the American Stock Exchange, New York, N.Y. Montreal Stock Exchange, Montreal, Quebec, and the Vancouver Stock Exchange, Vancouver, B.C.

Canadian Javelin Limited

Head Office and Executive Office

1115 Sherbrooke Street West, Montreal, P.Q. H3A 1H5

Newfoundland Office

Javelin House, St. John's, Newfoundland

Panama Offices

33 Avenida Federico Boyd, Panama, R.P.

David, Panama, R.P.

South American Office

Agustinas 1357 Santiago, Chile

Central American Office

Divisadero, Departamento De Morazan, El Salvador, C.A.

Export Sales Office

Kings Court, Bay Street,

P.O. Box N 3945

Nassau, Bahamas

Bermuda Office

P.O. Box 906, Wallis Building, Hamilton, Bermuda

Labrador Office

Wabush, Labrador

European Office

Palais de LaScala

Monte Carlo, Monaco

Ethiopian Office

P.O. Box 2459, Addis Ababa, Ethiopia

Prairie Office

2180 - 12th Avenue, Regina, Saskatchewan

Mountain Office

825 – 5th Avenue, S.W., Calgary, Alberta

Bison Petroleum & Minerals Limited

Main Office

2180 – 12th Avenue, Regina, Saskatchewan

Executive Offices

1115 Sherbrooke Street West, Montreal, P.Q. H3A 1H5 Bank of Canada Building, 250 University Ave., Toronto, Ontario

Upon application in writing the company will furnish each person receiving this annual report a copy of the company's annual report on form 10K filed with the United States Securities and Exchange Commission. Such application should be addressed to the Secretary of the company. The annual report on 10K will be furnished free of charge to stockholders. Financial statements and exhibits will be furnished upon request at the out-of-pocket cost to the company which cannot be estimated at this time.





